

REQUEST FOR APPROVAL

To: **Caroll Mortensen**
Director, CalRecycle

From: **Sarah Keck**
Branch Chief, Fiscal Services Branch

Request Date: September 9, 2014

Decision Subject: Recycling Market Development Zone Loan Authority
(Recycling Market Development Revolving Loan Subaccount; 2014-15)

Action By: September 16, 2014

Summary of Request: Staff requests approval of an increase in authority for the Recycling Market Development Zone (RMDZ) Loan Subaccount in the amount of \$5,000,000 to bring the new amount available to \$10,000,000.

Recommendation:


Fund Source: RMDZ Loan Subaccount	Amount Available	Amount to Increase	Total Amount
2014-15	\$5,000,000	\$5,000,000	\$10,000,000

Director Action: On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby conditionally approve an increase in authority for the Recycling Market Development Zone Loan Subaccount in the amount of \$5,000,000 to bring the total amount available to \$10,000,000.

This approval is subject to:

1. The available fund balance, as referenced in the Fund Condition.

Dated: 9/17/2014



Caroll Mortensen
Director

Background and Findings

Statutory Authority

The Recycling Market Development Zone (RMDZ) Program was established by Senate Bill 1322 (Bergeson, Statutes of 1989, Chapter 1096), codified in Public Resources Code sections 42010-42024. Program regulations are found in Title 14 of California Code of Regulations, sections 17901-17939.5. Public Resources Code (PRC) Section 42023.1 (f) authorizes the Department of Resources Recycling and Recovery (CalRecycle) to approve RMDZ loans to eligible businesses and not-for-profit organizations located in designated zones.

Program Background

CalRecycle administers the RMDZ Revolving Loan Program to encourage California-based recycling businesses located within designated zones to site new manufacturing facilities, expand existing operations and processing capabilities, and create additional markets for recycled-content products. This program provides direct, low-interest loans for the purchase of equipment and other related business costs.

In 2013-14, \$7,500,000 was authorized for new RMDZ loans. After awarding two loans totaling \$2,371,000, the balance of \$5,129,000 returned to the RMDZ Subaccount for future use. Funds deposited in the subaccount are continuously appropriated to the department without regard to fiscal year for making loans, pursuant to Public Resources Code section 42023.1(b). Therefore, we are requesting authorization to use these funds in addition to the previously authorized funding, for a total of \$10,000,000 for loans in 2014-15.

Process

The General Loan Criteria for the RMDZ Loan Program was approved by the former California Integrated Waste Management Board in September 2008, and the Project Eligibility Criteria was approved by CalRecycle in March 2012.

Loan applications are reviewed and evaluated in accordance with established procedures to ensure that the project meets current eligibility and underwriting criteria and that required permits have been obtained. The Loan Committee considers the financial soundness of the applicant and the terms of the proposed loan and recommends to CalRecycle that the loan request be either approved or declined. Upon conclusion of this process and Loan Committee's approval recommendation, CalRecycle senior management staff reviews the loan request and determines whether to make a commitment to approve and fund the loan.